

Message Text

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ORIGIN AID-59

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DRAFTED BY: AID/SER/COM:WCSCHMEISSER, JR.: PGS

APPROVED BY: P:JJSISCO

S/S - DMILLER

EB: JKATZ

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FM SECSTATE WASHDC

TO AMEMBASSY CAIRO

C O N F I D E N T I A L STATE 064484

E.O. 11652: GDS

TAGS:

SUBJ: EGYPTIAN REQUEST FOR HELP IN PURCHASING FERTILIZER

REF: CAIRO 1535

1. APPRECIATE DATA CONTAINED REFTEL BECAUSE IT CONFIRMS
VALIDITY OF INFORMATION WE HAD RECEIVED RE SIZE AND
TIMING OF EGYPT'S FERTILIZER REQUIREMENTS.

2. WE HAVE BEEN WORKING DILIGENTLY ON POSSIBLE SOURCES
OF ADDITIONAL FERTILIZER FOR GOE. AS OF TODAY, ONE U.S.
AFFILIATE OF A EUROPEAN PRODUCER HAS EXPRESSED HOPE IT MAY
BE ABLE TO OBTAIN SOME PRODUCT FOR EGYPT, POSSIBLY
A TOKEN SHIPMENT IN JUNE AND SOME ADDITIONAL AMOUNTS IN
SUBSEQUENT QUARTERS. THE ABOVE REPRESENTS AN EXPRESSION
OF WILLINGNESS BY THE U.S. COMPANY AND WILL BE CONFIRMED
OR REJECTED BY THE EUROPEAN PRODUCER AFTER IT HAS EX-
PLORED REARRANGEMENT OF ITS CURRENT COMMITMENTS. WE
GIVE YOU THIS DETAIL AS BACKGROUND INFORMATION ONLY.
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WILL NOT KNOW UNTIL MID-WEEK AT EARLIEST WHETHER THIS

EFFORT SUCCESSFUL. UNDER ANY CIRCUMSTANCES, AMOUNTS OFFERED WOULD BE MODEST, AND PERHAPS MARGINAL, CONSIDERING MAGNITUDE OF GOE REQUIREMENTS. WILL KEEP YOU ADVISED.

3. IN CASE FAHMY AGAIN RAISES QUESTION OF U.S. COMPANIES PREEMPTING EGYPT'S NORMAL SOURCES, YOU SHOULD KNOW THAT WE DO NOT BELIEVE THIS TO BE ACCURATE. OVER PAST SEVEN MONTHS, U.S. IMPORTS OF NITROGENOUS FERTILIZERS HAVE BEEN SLIGHTLY LESS THAN LAST YEAR. U.S. DOMESTIC PRICE HAS BEEN RUNNING ABOUT DOLS 100 PER TON LESS THAN INTERNATIONAL PRICE AND IS THUS NO LURE. MOST EUROPEAN NITROGEN SOLD THROUGH CARTEL WHICH COMPETES WITH U.S. IN INTERNATIONAL MARKETS AND UNLIKELY TO DIVERT FROM ESTABLISHED MARKETS IN THIS TIME OF SHORTAGE. IT IS TRUE THAT SOME U.S. COMPANIES WITH EUROPEAN CONNECTIONS HAVE BEEN KEEPING AMERICAN PRODUCTION AT HOME AND MEETING THEIR LONG-TERM CONTRACTS TO OVERSEAS MARKETS BY EXPORTS FROM OFFSHORE SOURCES RATHER THAN FROM U.S.

4. MORE LIKELY FACTORS: EUROPEAN FERTILIZER PRODUCTION HAS BEEN NEGATIVELY EFFECTED BY THE ENERGY CRISIS. IN ADDITION, WE KNOW OF FOUR EUROPEAN PLANTS WHICH, FOR VARIOUS REASONS, ARE CURRENTLY OUT OF PRODUCTION. EGYPT HAS TRADITIONALLY PURCHASED FERTILIZER ON A TENDER BASIS RATHER THAN BY LONG-TERM SUPPLY CONTRACT. IN USING OUR GOOD OFFICES ON BEHALF GOE, WE ARE CONSISTENTLY TOLD THAT PRODUCERS ARE TAKING CARE OF LONG-TERM OBLIGATIONS FIRST AND THAT TENDER CUSTOMERS COME SECOND. UNDER THESE CONDITIONS, IT MAY BE CONVENIENT TO SAY U.S. COMPANIES HAVE PREEMPTED MARKET, BUT, AS A GENERAL RULE, WE FIND NO SUCH EVIDENCE.
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